

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LYON COUNTY WATER)
DISTRICT TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,385,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2012-00430
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

Lyon County Water District ("Lyon District") has applied to the Commission for approval to enter into an Assistance Agreement with Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$1,385,000 to refund certain outstanding waterworks revenue bonds.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Lyon District proposes to execute an Assistance Agreement with KRWFC to borrow \$1,385,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 28-year term with interest rates that vary from 2.75 percent to 4.1 percent per annum.²

¹ Lyon District tendered its application to the Commission on September 19, 2012. In its application, it requested a deviation from 807 KAR 5:001, Section 11(2). On October 3, 2012, the Commission granted this request and accepted the application for filing. No person or entity has sought intervention in this proceeding.

² App. Ex. A.

2. Lyon District proposes to use the proceeds from the Assistance Agreement to refund outstanding Lyon County Water District Water Revenue Bonds, Series 1995 ("1995 Bonds") and Lyon County Water District Waterworks Revenue Bonds, Series 2002 ("2002 Bonds"). Rural Development³ holds these bonds.

3. Approximately \$804,000 of the 1995 Bonds remain outstanding.⁴ These bonds bear interest at a rate of 4.875 percent per annum.

4. Approximately \$541,000 of the 2002 Bonds remain outstanding.⁵ These bonds bear interest at a rate of 4.625 percent per annum.

5. Lyon District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$174,553 and \$107,963, respectively.⁶

6. Lyon District will expend \$1,417,653 to refund the outstanding bonds and to pay bond issuance costs.⁷

7. Lyon District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Lyon District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

³ Rural Development is an agency of the U.S. Department of Agriculture.

⁴ App. Ex. D.

⁵ *Id.*

⁶ In Ex. C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

⁷ App. Ex. B. \$24,237 (Total Underwriter's Discount) + \$28,275 (Cost of Issuance) + \$1,360,341 (Deposit to Current Refunding Fund) + \$4,800 (Rounding) = \$1,417,653. The sources of the funds are \$1,385,000 (Par Amount of Bonds) + \$3,950 (Reoffering Premium) + \$28,703 (Transfers from Prior Issue Debt Service Funds) = \$1,417,653.

IT IS THEREFORE ORDERED that:

1. Lyon District is authorized to enter into an agreement with KRWFC to borrow no more than \$1,523,500⁸ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, Lyon District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

3. Within 30 days of executing the proposed agreement, Lyon District shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Lyon District has not previously filed with the Commission.

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Lyon District's application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

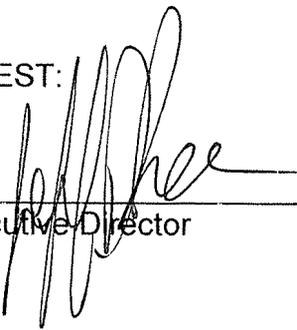
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

⁸ \$1,385,000 x 110% = \$1,523,500.

By the Commission

ENTERED
OCT 05 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00430

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202